



Multi-Year Financial Forecasts

September 1, 2022

Committee on Budget and Finance



Overview

- Buoyed by recent General Fund increases by the Legislature, UH's near term financial outlook is good. However, without controls expenditures will begin to exceed revenues in FY25. Current fund balances can accommodate this outlay in the short term although course correction will occur prior to this time.
- The Legislature restored General Fund appropriations to pre-pandemic levels, which eased significant immediate pressure.
- Payroll expenditures are the main cost driver, with increases as a result of previously approved collective bargaining agreements and a gradual easing of the hiring freeze.
- Expect iterative refinements over course of six-years plan as evolution of the forecast.



Assumptions

- The Legislature's supplemental budget approved by the Governor in July 2022 includes General Fund appropriations for FY24:
 - Restoration of \$42.5 million
 - Subsidy for Athletics of \$8.0 million
 - Additional funding for Medical Residency Expansion, Nursing Clinical Instructors, and other initiatives
 - **Total increase in the budget of \$63.4 million**
 - Additional funds for collective bargaining for General Funded FTEs



Assumptions

(continued)

- TFSF Revenues are projected to hold relatively steady throughout this forecast and are below FY22 levels.
 - No rate increase is assumed in this forecast.
 - Enrollment is mostly flat throughout this forecast.
- RTRF Revenues remain flat throughout this forecast.
- Other Special and Other Revolving Funds Revenues near-term increases the result of (return of on-campus) activity, not rate augmentations.
- Previously agreed upon collective bargaining increases are assumed (5% in FY24 and 5% in FY25).
- Significant short-term increase in Utilities costs (20% for FY23 and 2.5% each year after).

6-Year Rolling Financial Forecast

FY2023 through FY2028

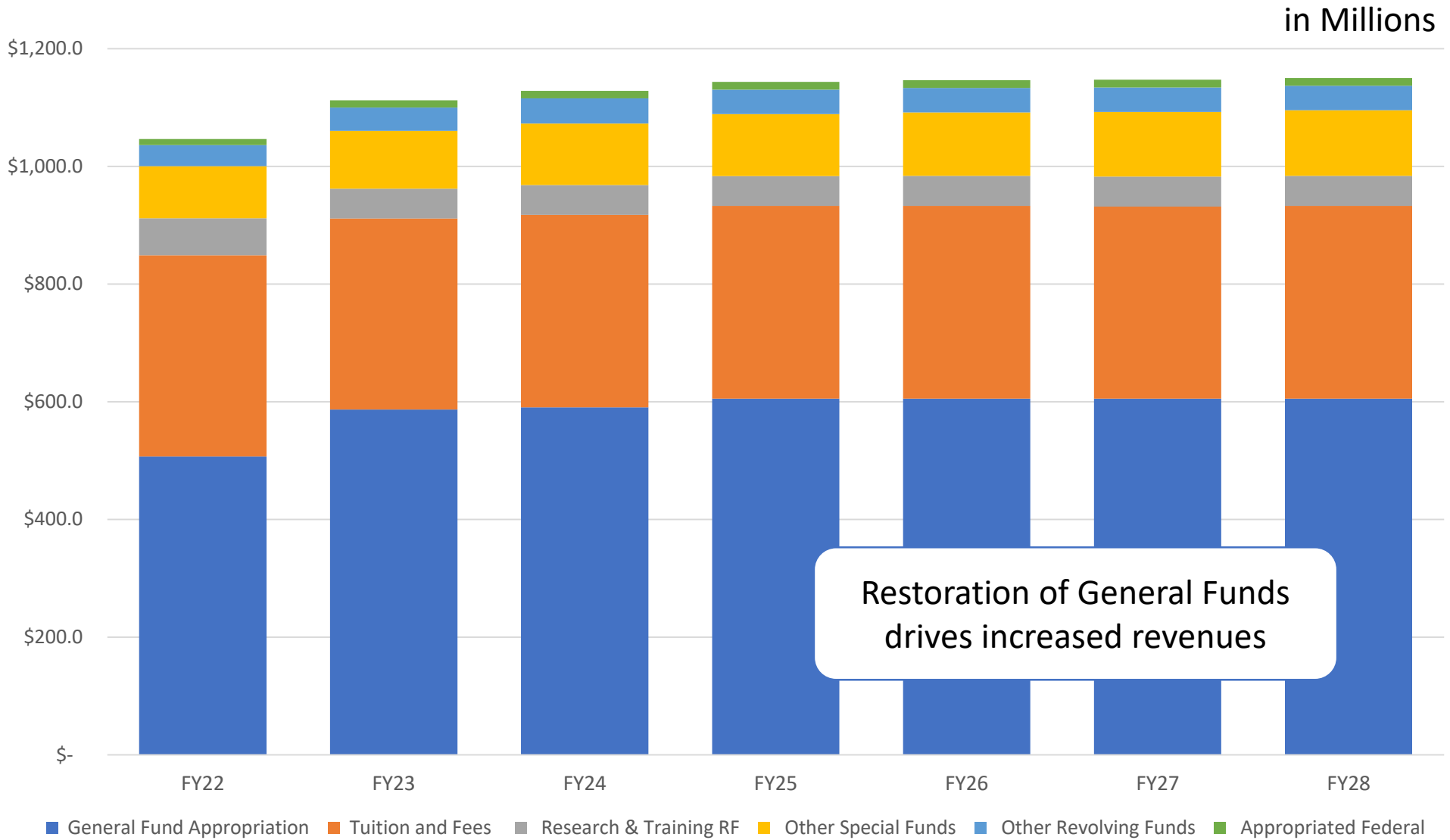
University of Hawai'i - All Campuses

	Actual <u>2021-2022</u>	Projected <u>2022-2023</u>	Projected <u>2023-2024</u>	Projected <u>2024-2025</u>	Projected <u>2025-2026</u>	Projected <u>2026-2027</u>	Projected <u>2027-2028</u>
Beginning Balance	395.6	549.8	535.0	541.8	527.3	512.9	495.8
REVENUES							
General Fund Appropriation	498.2	586.7	590.5	605.3	605.3	605.3	605.3
Tuition and Fees	342.3	324.7	327.3	327.6	327.6	326.4	327.6
Research & Training RF	62.9	51.0	51.0	51.0	51.0	51.0	51.0
Other Special Funds	88.6	98.2	104.3	105.6	108.0	109.8	111.5
Other Revolving Funds	35.6	39.5	42.8	41.4	41.5	41.6	41.6
Appropriated Federal	10.4	12.2	13.1	13.2	13.2	13.2	13.3
Transfers-In	803.5	424.2	387.2	386.9	388.2	386.6	387.7
Total Revenues	1,841.5	1,536.4	1,516.2	1,530.9	1,534.8	1,533.8	1,538.0
EXPENDITURES							
Regular Employee	591.7	641.4	671.1	702.8	703.3	703.8	704.3
Lecturer Payroll	36.7	39.6	43.6	45.6	45.6	45.7	45.7
Student Help Payroll	11.9	17.7	18.1	18.5	18.9	19.0	19.3
Other Personnel	7.1	8.2	8.2	8.3	8.3	8.3	8.3
<i>Subtotal Personnel</i>	<i>647.4</i>	<i>706.8</i>	<i>741.0</i>	<i>775.3</i>	<i>776.2</i>	<i>776.8</i>	<i>777.7</i>
Utilities	67.8	81.2	83.1	85.0	87.0	89.0	91.1
Scholarships, Stipends	63.4	63.8	62.9	63.0	63.1	63.3	63.4
Operating Maintenance	17.7	32.1	28.7	24.0	27.9	28.3	28.8
Other Non-Personnel	142.6	238.2	174.2	179.3	179.7	180.0	182.9
Debt Service	12.1	38.8	38.8	38.8	38.8	37.8	38.1
Transfers-out	736.2	390.2	380.7	380.1	376.5	375.8	375.1
Total Expenditures	1,687.2	1,551.2	1,509.4	1,545.4	1,549.2	1,550.9	1,557.1
Res Use for Planned Non-Recurring Exp	0.2	71.2	4.3	4.2	2.7	0.7	0.6
REVENUES LESS EXPENDITURES	154.4	56.4	11.1	(10.2)	(11.6)	(16.4)	(18.5)
Ending Balance	549.8	535.0	541.8	527.3	512.9	495.8	476.8
Reserve % of Expenditures	33%	34%	36%	34%	33%	32%	31%

in \$ millions

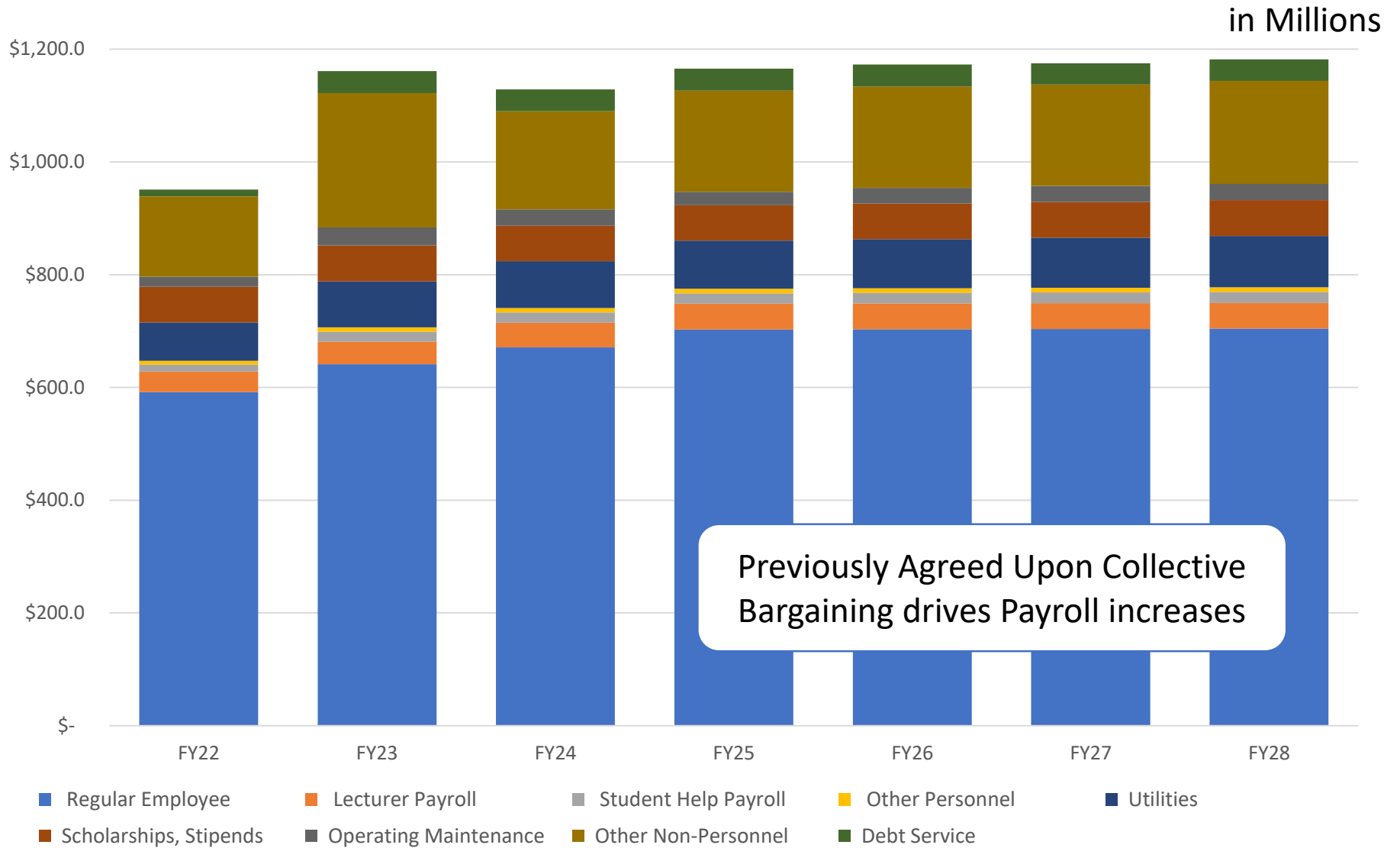


Revenue Projections (FY22-28)





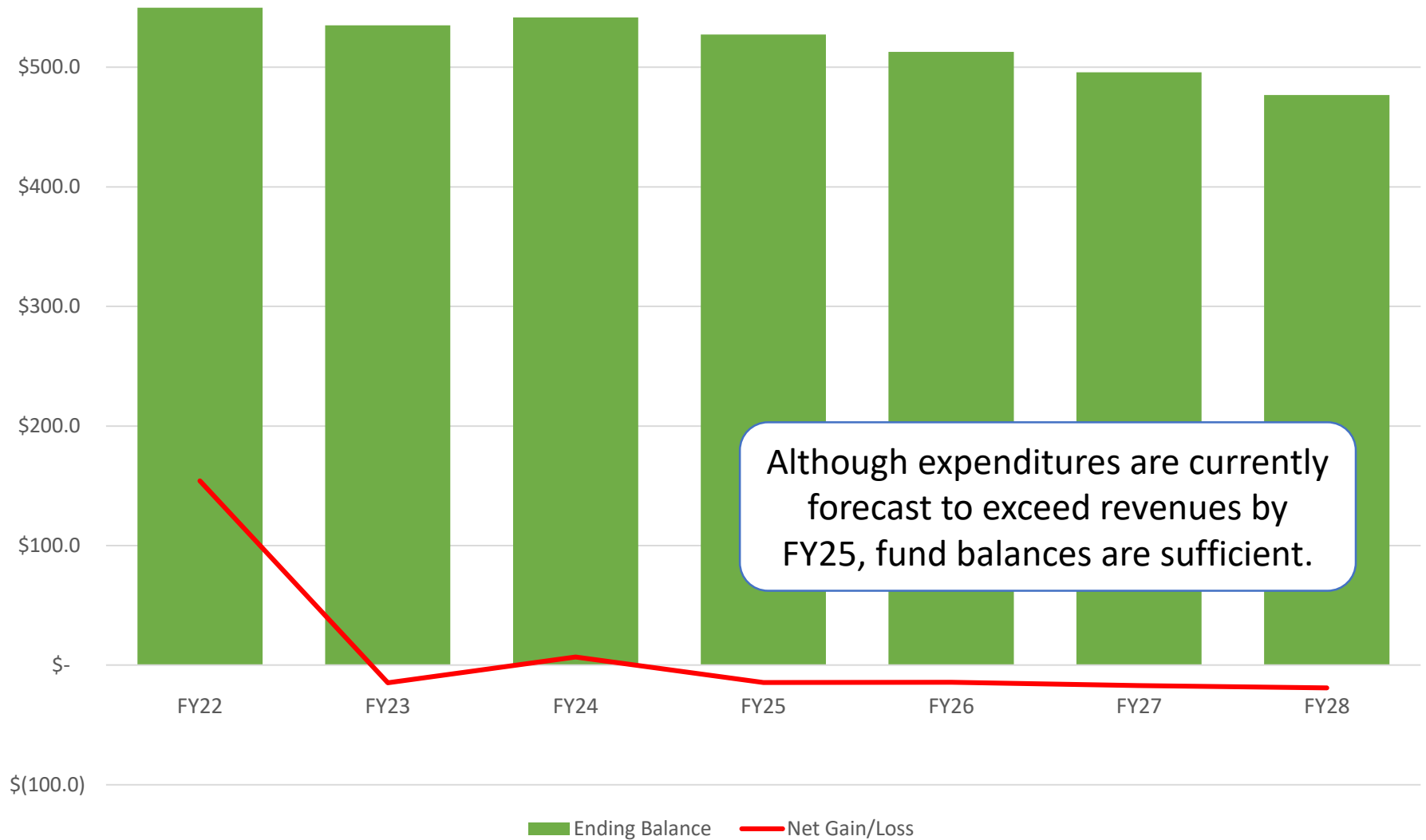
Expenditure Projections (FY22-28)





Fund Balances and Net Operating Gain/Loss (FY22-28)

in Millions





Conclusions

- Recent efforts to strengthen fund balances have allowed UH to accommodate projected fiscal shortfalls in later fiscal years.
- Five year forecast provides a long horizon, with opportunities for augmentation.
- Financial forecast accommodates multiple special funds and revolving funds enterprises.
- Base assumptions and environmental changes will necessitate constant revision.
 - General Fund appropriations
 - On-campus/in-person activity
 - Enrollment and any changes to tuition or enterprise rates
- Overall, the forecast models a stable financial position based on fund balances.



Conclusions

(continued)

- Reserve balances stable across 6-year period.
- Some planned use of reserves to fund one-time investments.
- Reserve growth in FY2021 through FY2022, may be necessary to fund potential fiscal shortfalls in FY2025 through FY2028.
- From this stable post-pandemic position we are now in a strong position to continue to right-size through attrition and restructure so as to be able to make new investments in a fiscally responsible manner that address strategic imperatives emerging from the current strategic planning process.